Canadian Northern Economic Development Agency

Quarterly Financial Report

For the quarter ended September 30, 2013

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, as well as, Canada's Economic Action Plan 2012 (Budget 2012).

Contributing to the jobs and growth in Canada, the Canadian Northern Economic Development Agency (CanNor) works to develop a diversified, sustainable and dynamic economy across Canada's three territories. It does this by delivering economic development programs, undertaking policy and research, and by collaborating with and aligning the efforts of other federal departments, territorial governments, Aboriginal organizations, and industry. This is particularly the case in resource development through its Northern Projects Management Office (NPMO).

Further details on CanNor's authorities, mandate and program activities may be found in the Report on Plans and Priorities at: http://www.cannor.gc.ca/aa/rpp/2013-2014/index-eng.asp, and in the Main Estimates (Part II) http://www.tbs-sct.gc.ca/ems-sgd/20132014/me-bpd/me-bpdtb-eng.asp.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CanNor's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2013-2014 fiscal year. The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-2013 Main Estimates.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities were reflected in the 2013-2014 Main Estimates tabled in Parliament.

This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

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As part of the departmental performance reporting process, CanNor prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

As at September 30, 2013, total authorities available for fiscal year 2013-2014 amounted to $51.8M, which remains unchanged from the last fiscal year.

A $2.0M increase in contributions is mainly due to the Community Infrastructure Improvement Fund (CIIF) which increased contributions by $3.2M for the year, and the offsetting reductions to contributions of $1.0M from Budget 2012 for the Community Economic Development Program.

The operating authorities available for the 2013-2014 fiscal year decreased by $1.8M; $1.4M is due to the Budget 2012 reductions, the remaining difference relates to the recording of the previous year carry forward amount of $454,000 and other minor adjustments.

Statement of Departmental Budgetary Expenditures by Standard Object

Compared to the previous year, total budgetary expenditures recorded in the quarter ending September 30, 2013 increased by approximately $2.2M, from $4.5M to $6.7M.

This increase is primarily the result of transfer payments expenditures increasing by $1.9M in the quarter. At this early stage of the year, this increase relates to timing differences for contribution payments.

With respect to the other non-transfer payment reporting objects, there is an increase in expense of $0.2M. This is being driven primarily by increases in Personnel ($90,000), Rentals ($110,000), Professional Services ($94,000) and a decrease in expense of $86,000 in Travel (included in Transportation and Communications).

Risks and Uncertainties

Business development in the North needs to deal with the complexities related to remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure and labour market gaps. Program delivery in the North therefore requires a strong focus on risk management and mitigation.

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The Canadian Northern Economic Development Agency has updated its Corporate Risk Profile and is presenting a revised risk assessment in its most recent Report on Plans and Priorities. Risks have been divided into two categories: internal and external. The Agency has deleted "public communications" as a risk and instead incorporated a communications component where necessary into individual risks and mitigation measures. Two new risks have been added: the first being in the area of performance measurement; and the second in the area of information management and information technology. Finally, other risk areas and mitigation measures have been updated to reflect the Agency's current reality.

CanNor has identified the following seven key risk areas in the 2013-2014 Report on Plans and Priorities:

Internal Risks

1. Performance Measurement
2. Human and Knowledge Capital
3. Alignment with Priorities and Needs
4. Information Management & Information Technology

Internal & External Risks

5. Operational Environment

External Risks

6. Relationships with Clients, Partners and Stakeholders
7. Legal, Statutory and Land Claims

Further details on these risks and how CanNor plans to manage and mitigate the risks can be found in the Report on Plans and Priorities for the Agency. CanNor monitors expenditures and carries out business planning to ensure that financial risks are mitigated and that program delivery is optimized. Efforts are underway to increase the pace of project review and disbursements of contribution programs in order to reduce the risk of year-end lapses.

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Significant changes in relation to operations, personnel and programs

The Agency is planning for additional resources to ensure capacity to support federal participation in northern regulatory processes and to advance resource development in the North.

Budget 2012 Implementation

This section provides an overview of the cost saving measures announced in Budget 2012 that will be implemented to ensure the Government operates as efficiently as possible. CanNor's cost savings measures are focused on modernizing operations and improving efficiency and effectiveness as an organization to help the Agency better serve its clients.

The Canadian Northern Economic Development Agency will achieve total Budget 2012 savings of $2.4M in this current fiscal year by reducing office space, implementing more efficient business processes, reducing program funding to respond to a degree of overlap and duplication, and more closely aligning resources to its core mandate.

As part of Budget 2012, contribution authorities have decreased by $1M and operating authorities have decreased by $1.2M in 2013-2014 in addition to a decrease of $.2M in 2012-2013 in operating authorities. The decrease to contributions aligns with renewing Aboriginal Economic Development Programs which will include approaches to address the capacity development requirements of Aboriginal communities.

These changes will ensure that CanNor has sustainable programs that support economic growth and meet the needs of the North for the long term.

Approved by:

Patrick Borbey
President
Ottawa, Canada
November 15, 2013

Yves Robineau CPA, CA
Chief Financial Officer

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STATEMENT OF AUTHORITIES
(unaudited)

(In thousands of dollars)	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014*	Used during the quarter ended September 30, 2013	Year- to-date used at quarter-end	Total available for use for the year ending March 31, 2013*	Used during the quarter ended September 30, 2012	Year-to-date used at quarter-end
Vote 25 - Net Operating	12,103	2,551	4,930	13,953	2,192	4,590
Vote 30 - Transfer payments	38,664	3,862	3,966	36,662	1,960	2,700
Budgetary statutory authorities	1,024	256	512	1,172	391	586
Total Budgetary authorities	**51,791**	**6,669**	**9,408**	**51,787**	**4,543**	**7,876**
Non-budgetary authorities	0	0	0	0	0	0
Total authorities	**51,791**	**6,669**	**9,408**	**51,787**	**4,543**	**7,876**

* *Includes only Authorities available for use and granted by Parliament at quarter-end.*

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Departmental budgetary expenditures by Standard Object (unaudited)

(In thousands of dollars)	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Used during the quarter ended September 30, 2013	Year- to-date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Used during the quarter ended September 30, 2012	Year- to-date used at quarter-end
Expenditures:						
Personnel	6,907	2,231	4,737	8,245	2,141	4,361
Transportation and communications	1,900	140	202	2,116	226	548
Information	100	5	14	300	2	3
Professional and special services	2,400	170	220	2,114	76	121
Rentals	1,300	234	238	1,350	124	126
Repair and maintenance	70	8	8	50	0	0
Utilities, materials and supplies	150	14	18	200	13	16
Acquisition of land, buildings and works	100	0	0	450	0	0
Acquisition of machinery and equipment	100	5	5	200	1	1
Transfer payments	38,664	3,862	3,966	36,662	1,960	2,700
Public Debt charges	0	0	0	0	0	0
Other subsidies and payments	100	0	0	100	0	0
Total budgetary expenditures	**51,791**	**6,669**	**9,408**	**51,787**	**4,543**	**7,876**

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